

## Message Text

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ACTION EB-07

INFO OCT-01 EA-07 ISO-00 AID-05 CIAE-00 COME-00 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 OMB-01 FTC-01 /046 W  
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R 180900Z AUG 75

FM AMEMBASSY KUALA LUMPUR

TO SECSTATE WASHDC 993

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E.O. 11652: NA

TAGS: EFIN, EINV, ETRD, MY

SUBJ: AMERICAN FIRM HAS PAYMENT PROBLEMS

1. W. S. SCIAFE, SOUTH-EAST ASIA REPRESENTATIVE FOR GLEASON WORKS, ROCHESTER, NEW YORK, CALLED ON COMATT TO DISCUSS PROBLEM FIRM HAS IN COLLECTING PAYMENT FOR DOLS 1.4 MILLION WORTH OF MACHINE TOOLS PRODUCED FOR MALAYSIA. PURCHASER IS STATE ECONOMIC DEVELOPMENT CORPORATION (SEDC) OF STTUATIONOF NEGRI SEMBILAN. MACHINES ORDERED FOR JOINT VENTURE BETTWEEEEE INDIAN COMPANY AND SEDC TTO PRODUCE AUTOMOTIVE GEARS.

2. SCIAFE FIRST DISCOVERED POTENTIAL PROBLEM DURING TRIP TO MALAYSIA IN MARCH. AT THAT TIME, SEDC REPS SAID THEY WERE HAVEING A "LITTLE TROUBLE" RAISING MONEY BUT EXPECTED TO MAKE PAYMENT, ORIGINALLY SCHEDULED FOR FEB, BUT NOT LATER THAN JUN. SCIAFE RETTTTTTURNED TO MALAYSIA EARLY AUG WHEN PAYMENT DELINQUENT. HE HAS

SINCE LEARNED THAT SEDC IS ON VERGE OF BANKRUPTCY AND COMMERCIAL BANKS WILL NOT LOAN ORGANIZATION ANY MONEY WHATSOEVER.

3. IN ATTEMPT TO RESOLVE SITUATION, SCIAFE MET WITH  
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NEGRI SEMBILAN CHIEF MINISTER, DATUK HAJI MANSOR BIN

OTHMAN, ON AUG 13. MANSOR STATES PROJECT OF PARTICULAR IMPORTANCE TO HIM IN TERMS OF STATE'S DEVELOPMENT PROGRAM. SCIAFE ALSO STATED PROJECT IS TO BE LOCATED IN MANSOR'S HOMETOWN. MANSOR HAS SCHEDULED MEETING WITH PRIME MINISTER RAZAK, DEPUTY PRIME MINISTER AND MINISTER OF FINANCE, HUSSEIN ONN, ON AUG 19. MANSOR PLANS TO PLEAD WITH PM AND DPM FOR A FED-

ERAL LETTER OF GUARANTEE FOR EQUIPMENT PURCHASE. IF THIS OBTAINED, COMMERCIAL BANKS HAVE STATED WTHEY WILL EXTEND NECESSARY MONEY TO SEDC.

4. COMMENT. THIS DEVELOPMENT INDICATES GROWING FINANCIAL OVEREXTENSION BY SEVERAL OF SEDC'S IN MALAYSIA. FEDERAL GOVERNMENT HAS RECENTLY PUT SEVERE RESTRICTIONS ON THEIR ABILITY TO BORROW FUNDS. EMBASSY WILL FOLLOW GLEASON'S PROBLEM CAREFULLY AND WILL REPORT DEVELOPMENTS AS THEY OCCUR.  
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## Message Attributes

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